

## SENATE RESOLUTION 182

By Kilby

A RESOLUTION urging the United States Congress to fund the  
Section 502 Single-Family Direct Loan Program.

WHEREAS, the proposed federal budget for fiscal year 2008 would dramatically change the federal funding landscape for rural housing; and

WHEREAS, in a surprising move, the budget zeroes out funding for the popular and productive Section 502 single-family direct loan program; and

WHEREAS, while funding for Section 502 single-family and Section 538 multifamily guarantee programs would be substantially increased, these programs serve residents with more moderate incomes than the direct lending programs that have been cut from the proposed budget; and

WHEREAS, the deletion of funds for the Section 502 single-family direct loan program would significantly alter the rural self-help housing program; production of new rural self-help homes would drop sharply, and homebuyers with incomes too low to qualify for other mortgages would no longer be able to participate in the program; and

WHEREAS, the Section 502 single-family direct loan program provides 100 percent (100%) financing for low-income and very low-income persons to purchase an existing dwelling, purchase a site and construct a dwelling, or purchase newly constructed dwellings located in rural areas; interest rates are subsidized to as low as one percent (1%); and

WHEREAS, the Section 502 direct loan program is the only federal program targeting mortgage lending opportunities to low-income and very low-income rural households; the annual average income of a direct borrower is fifty-five percent (55%) of Area Median Income, and some forty-six percent (46%) of Section 502 families have incomes at forty percent (40%) of Area Median Income. The average income of households assisted under Section 502 is

\$18,500, and about three percent (3%) of participating households have annual incomes of less than \$10,000; and

WHEREAS, demand for the Section 502 direct loan program is consistently high; at the end of August 2006, the Rural Development Housing and Community Facilities Programs of the U.S. Department of Agriculture (USDA) had more than 37,000 pre-qualified loan applications, totaling over \$3.5 billion dollars—over three times the amount appropriated for 2006 for qualified families; and

WHEREAS, given the centrality of the Section 502 single-family direct loan program to improving the nation's rural housing, it is particularly disturbing to see that no funding is proposed for the program for fiscal year 2008, especially, since this is one of the largest and most successful programs available to low-income and very low-income rural families; and

WHEREAS, in 2006, the program was funded at \$1.237 billion dollars; the USDA returns to the Treasury an average of \$1.50 for every \$1.00 budgeted, and twenty percent (20%) of these loans are made to minorities; and

WHEREAS, the loans target buyers in the \$6,000 to \$24,000 yearly income bracket to enable them to purchase their own homes; the Rural Development Housing and Community Facilities Program of the USDA is a lender of last resort for these buyers; it currently has 380,000 loans on its books, and its foreclosure rate is only ten percent (10%) of the foreclosure rate in the commercial subprime lender market; and

WHEREAS, the Section 502 Single-Family Direct Loan Program is the only federal program targeting housing opportunities for low-income and very low-income rural households; now, therefore,

BE IT RESOLVED BY THE SENATE OF THE ONE HUNDRED FIFTH GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, that this General Assembly hereby urges the Congress of the United States of America to act expeditiously to fund the Section 502 Single-Family Direct Loan Program for fiscal year 2008 and all successive fiscal years.

BE IT FURTHER RESOLVED, that this General Assembly strongly urges each member of the Tennessee Congressional Delegation to utilize the full measure of his or her influence to ensure the funding of this important direct loan program.

BE IT FURTHER RESOLVED, that the Chief Clerk of the House of Representatives is directed to transmit a certified copy of this resolution to the President and the Secretary of the United States Senate; the Speaker and the Clerk of the United States House of Representatives; and to each member of the Tennessee Congressional Delegation.